

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

THE APPLICATION AND PETITION OF TATEVILLE	)	
WATER ASSOCIATION, INC., TO REVISE RATES	)	
AND PERMIT THE ASSOCIATION TO ADOPT A	)	CASE NO. 7650
PURCHASED WATER CLAUSE OR ADJUSTMENT	)	
CLAUSE IN ITS RATES SCHEDULE	)	

O R D E R

Preface

On November 1, 1979, the Tateville Water Association, hereinafter referred to as the Utility, filed with this Commission its duly verified application seeking an adjustment of rates for water services provided to customers located in and around the community of Tateville, Pulaski County, Kentucky. The Utility also requested approval of a "Purchased Water Adjustment Clause" that would permit the Utility to adjust its rates without a public hearing when its water cost was increased by its supplier--the city of Burnside.

The case was set for hearing at the Commissions offices in Frankfort, Kentucky, November 26, 1979. All parties of interest were notified and the Consumer Protection Division of the Attorney General's Office intervened in the matter. Certain requests for additional information were made during the hearing by the Commission Staff. Said information has been furnished and the entire matter is now considered to be fully submitted for a final determination by this Commission.

Test Period

The Utility has selected the twelve month period ending September 30, 1979, as the "Test-Year" and has submitted tabulations of its revenues and expenses for this period including its proforma adjustments thereto for the Commission's consideration in the determination of rate adjustments. Said tabulations along with those found reasonable by this Commission are included in Appendix "C" of this Order.

Findings in This Matter

The Commission, after review of the record and being advised, is of the opinion and finds:

1. That the Utility's existing rates produced gross annual revenues of \$28,100 from an average of 185 customers receiving water service during the test-year. Further, that the Utility's expenses of \$26,893 for this period resulted in a test-year deficit of \$848.

2. That the rates proposed by the Utility and as prescribed and set forth in Appendix "A", attached hereto and made a part hereof should produce gross annual revenues of approximately \$34,649 from 185 customers and are the fair, just, and reasonable rates to be charged for water services rendered by the Utility to its customers. The inclusion of \$120 membership fees should result in \$34,769 total revenues.

3. That the Utility proposed a fee of \$350 for providing a 5/8-inch x 3/4-inch service connection. Its cost data for making such connections, as requested at the hearing, was filed December 3, 1979, by the Utility's attorney. The Commission finds that this data failed to substantiate the proposed \$350 fee; and further, that the Commission should not, at this time, approve a fee of more than \$300.

4. That the Commission after considering the tabulation of test-year projected revenues and expenses submitted by the Utility concludes that said revenues, expenses, and proforma adjustments can be summarized as shown in Appendix "B", attached hereto and made a part hereof. On the basis of this tabulation, the Commission further concludes that annual revenues in the amount of \$34,769 are necessary and will permit the Utility to meet its reasonable expenses for providing water services to its customers.

5. That the Utility has requested approval of a proposed "Purchased Water Adjustment Clause." A copy of this proposal is attached hereto as Appendix "C". Approval of this proposal would permit the Utility to increase its rates to compensate for a purchased water cost increase without being required to present the matter at a public hearing before the Commission. After due consideration of all the aspects of this proposal, the Commission is of the opinion and finds that it should be denied.

6. The record in this case shows that the Utility's unaccounted for water has averaged approximately 25% for the past three years. The Commission, therefore, finds that the Utility should establish and

maintain a program of emphasis on leak detection and correction until such time as its distribution system losses have been reduced to 15% or less for three consecutive months. Further, that the Utility should submit monthly reports of said losses to this Commission until such time as these losses have been stabilized at 15% or less. Such reports shall include the quantity of water purchased, the quantity of water sold and the quantity of unaccounted for water.

7. That according to Kentucky Revised Statutes Chapter 74.361, the Kentucky General Assembly has determined that the reduction in the number of water districts and associations operating in the Commonwealth is in the public interest, "in that mergers of such Districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public..." Therefore, the Commission further finds that the Utility should investigate the possibilities of merger with the other water utilities operating in this area, and report to this Commission the findings of their investigation within ninety (90) days of the date of this Order.

#### ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the rates proposed by the Utility and as prescribed and set forth in Appendix "A", attached hereto and made a part hereof be and the same are hereby fixed as the fair, just, and reasonable rates of the Utility to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the Utility's request for approval of a "Purchased Water Adjustment Clause" be and the same is hereby denied.

IT IS FURTHER ORDERED that the Utility shall establish and maintain a program of emphasis on leak detection and correction and make monthly reports to this Commission as previously set forth herein in Finding No. 6.

IT IS FURTHER ORDERED that the Applicant investigate the possibilities of merger with the other water utilities operating in the area and make a written report of the findings of said investigation to this Commission within ninety (90) days of the date of this Order.

IT IS FURTHER ORDERED that the Applicant shall file with this Commission, within sixty (60) days from the date of this Order, its tariff sheets setting forth the rates and charges approved herein. Further, that copies of all the Utility's rules and regulations for providing water service to its customers located in Pulaski County, Kentucky, shall be filed with the said tariff sheets.

Done at Frankfort, Kentucky this 19th day of February, 1980.

By the Commission

*Richard S. Taylor*  
*James H. Gorman*  
*Mary Ray Ocken*

ATTEST:

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Secretary

## APPENDIX "A"

### APPENDIX TO AN ORDER OF THE UTILITY REGULATORY COMMISSION IN CASE NO. 7650 DATED FEBRUARY 19, 1980.

The following rates and charges are hereby prescribed for the customers served by the Tateville Water Association. All other rates and charges not mentioned specifically herein shall remain the same as those in effect prior to the date of this Order.

<u>Gallonge Blocks For Each Meter Size</u>	<u>Monthly Rate For Each Gallonge Block</u>
<u>5/8-inch x 3/4-inch Meter:</u>	
First 1,000 gallons	\$ 7.10 Minimum Bill
Next 4,000 gallons	3.20 per 1,000 gallons
Over 5,000 gallons	2.25 per 1,000 gallons
<u>3/4-inch Meter</u>	
First 5,000 gallons	\$19.90 Minimum Bill
Over 5,000 gallons	2.25 per 1,000 gallons
<u>1-inch Meter</u>	
First 10,000 gallons	\$31.15 Minimum Bill
Over 10,000 gallons	2.25 per 1,000 gallons
<u>1 1/2-inch Meter</u>	
First 15,000 gallons	\$42.40 Minimum Bill
Over 15,000 gallons	2.25 per 1,000 gallons
<u>2-inch Meter</u>	
First 20,000 gallons	\$53.65 Minimum Bill
Over 20,000 gallons	2.25 per 1,000 gallons

All meters shall be read to the nearest one hundred gallons each month.

The monthly bill for a customer served by a 5/8" x 3/4" meter shall be \$7.10 for metered usages of zero (0) to one thousand (1,000) gallons. The additional charge for usage in excess of one thousand gallons shall be computed to the nearest one hundred (100) gallons of usage on the basis of the above unit costs per one thousand (1,000) gallons. Monthly bills for customers served by meters larger than 5/8" x 3/4" shall be computed in a similar manner with the total bill being either the minimum bill for that meter, or the summation of the minimum bill and the cost of any additional gallonage to the nearest one hundred (100) gallons.

#### Service Connection Charges for Various Meter Sizes

<u>Size of Connection</u>	<u>Charge</u>
5/8" x 3/4"	\$300.00
3/4"	\$325.00
1" and over	Actual cost of installation including the establishment of a new account.

# APPENDIX "B"

## APPENDIX TO AN ORDER OF THE UTILITY REGULATORY COMMISSION IN CASE NO. 7650 DATED FEBRUARY 19, 1980.

In accordance with finding no 4 of this Order, the following tabulation is the Commission's summary of test year and projected annual revenues, expenses and adjustments thereto for the providing of water services to approximately 185 customers in the service area of the Tateville Water Association.

	Test Year <sup>(1)</sup> 10/01/78- 9/30/79	Proforma <sup>(1)</sup> Requested	Proforma Found Reasonable
<b>REVENUES:</b> (No. of Customers)	(185)	(190)	(190)
1. Water Sales	\$28,100 <sup>(2)</sup>	\$34,649	\$34,649
2. Membership Dues	120	120	120
<b>TOTAL REVENUES</b>	<b>\$28,220</b>	<b>\$34,769</b>	<b>\$34,769</b>
<b>EXPENSES:</b>			
1. Purchased Water	\$ 8,075	\$11,554	\$11,554 <sup>(3)</sup>
2. Billing & Collecting	3,330	3,330	2,850
3. Office Supplies	320	320	320
4. Utilities	1,616	1,616	1,616
5. Mileage & Service Calls	1,800	1,800	1,800
6. Repairs & Maintenance	981	981	981
7. EPA Monitoring	-0-	1,200	1,200
8. Interest	9,345	9,345	8,662 <sup>(4)</sup>
9. Accounting-Annual	350	350	350
10. Rate Case:			
a) Accounting: \$250/3yr.	-0-	83	83
b) Legal: \$1,500/3yr.	-0-	500	500
c) Engineering: \$1,500/3yr.	-0-	500	500
d) Advertising, etc.	-0-	125	125
11. Taxes	758 <sup>(2)</sup>	758	758
12. Insurance	249	249	249
13. Miscellaneous	69	1,269	69 <sup>(5)</sup>
<b>Total Expenses</b>	<b>\$26,893</b>	<b>\$33,980</b>	<b>\$31,617</b>
<b>Net income Before</b>			
Debt Retirement	\$ 1,327	\$ 789	\$ 3,152
<b>Debt Retirement</b>	<b>\$ 2,175</b>	<b>\$ 2,175</b>	<b>\$ 2,175</b>
<b>Surplus</b>	<b>(\$ 848)</b>	<b>(\$1,386)</b>	<b>\$ 977</b>

(1)"Test Year" and "Proforma Requested" revenues and expenses were primarily taken from Attachment #3 of the Utility's letter of December 17, 1979; however, additional factors were taken from the record and testimony in this case.

(2)Sales tax of \$1,119 was deducted from the \$29,219 revenue listed by the Utility. This amount was also deducted from the \$1,877 listed as an expense item for taxes (item 11).

(3)According to the testimony of Mr. Ralph J. Ramsey at the November 1, 1979, hearing, the Utility's billing and collecting expense is \$1.25 per customer per month (190 x \$1.25 x 12 mos. = \$2,850).

(4)Exhibit 1, page 1 of the Utility's petition shows its long term obligation to FmHA to be \$173,239 and 5% of this amount is \$8,662.

(5)Miscellaneous expense was reduced to the test year amount because the Utility failed to adequately justify the requested amount of \$1,269.

APPENDIX "C"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7650 DATED FEBRUARY 19, 1980.

An exact copy of that part of the Tateville Water Association, Inc.'s petition specifically requesting approval of a "Purchased Water Adjustment Clause" is set forth below.

The Association has no control over the wholesale cost of water purchased from its supplier, other than firm negotiations or the expenditure of considerable sums of money to build its own purification facilities, which cannot be justified at present.

In an effort to hold costs down, and the cost of filing succeeding rate applications before this Commission the applicant proposes the adoption of the following clause which would permit it to adjust its charges for water based on the change in the cost of water from its wholesale supplier.

Purchased Water Adjustment Clause

Upon an increase in the cost of Purchased Water from its supplier, subsequent to negotiation and signing of a contract the district will calculate the average cost of water per 1,000 gallons under the old rate and the average of water per 1,000 gallons under the new rate. The difference between the two averages shall be the amount per 1,000 gallons which the retail rates of the district will be adjusted.

The association shall absorb all costs in the increased wholesale cost due to the water loss within its system.

The above calculations when made shall be filed with the Utility Regulatory Commission along with the previous and proposed rates. The rates shall become effective thirty (30) days after filing with the Utility Regulatory Commission or sooner, in the event the Commission so orders.

The association shall file other information as the Commission deems necessary to determine the adjusted water rates.